STEP energy services

TSX STEP

Condensed Consolidated Interim

# Financial Statements

As at and for the three and six months ended June 30, 2021

# STEP ENERGY SERVICES LTD.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

| As at<br>Unaudited (in thousands of Canadian dollars) | Notes | | June 30,<br>2021 | | December 31,<br>2020 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | | $ | 2,974 | $ | 1,266 |
| Trade and other receivables | 13 | | 54,910 | | 63,471 |
| Income tax receivable | | | 1,811 | | 1,960 |
| Inventory | | | 22,486 | | 26,990 |
| Prepaid expenses and deposits | | | 3,369 | | 5,782 |
| | | | 85,550 | | 99,469 |
| Property and equipment | 4 | | 347,980 | | 368,164 |
| Right-of-use assets | 5 | | 11,042 | | 11,453 |
| Intangible assets | | | 533 | | 773 |
| | | $ | 445,105 | $ | 479,859 |
| | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables(1) | 9,13 | $ | 46,250 | $ | 48,816 |
| Income tax payable | | | 19 | | 88 |
| Current portion of lease obligations | 5 | | 5,646 | | 5,919 |
| Current portion of loans and borrowings | 2,6 | | 197,992 | | - |
| | | | 249,907 | | 54,823 |
| Deferred tax liabilities | | | 795 | | 3,830 |
| Lease obligations | 5 | | 6,499 | | 6,798 |
| Other liabilities(1) | 9 | | 4,859 | | 2,199 |
| Loans and borrowings | 6 | | - | | 207,630 |
| | | | 262,060 | | 275,280 |
| Shareholders' equity | | | | | |
| Share capital | 8 | | 435,659 | | 431,798 |
| Contributed surplus | 9 | | 30,407 | | 32,371 |
| Accumulated other comprehensive income (loss) | | | (1,093) | | 3,812 |
| Deficit | | | (281,928) | | (263,402) |
| | | | 183,045 | | 204,579 |
| | | $ | 445,105 | $ | 479,859 |

*(1) See Note 1 for the reclassification of certain 2020 balances.*

See accompanying notes to the condensed consolidated interim financial statements

See Note 2 – Subsequent event
See Note 7 – Commitments
See Note 14 – Contingencies and provisions

STEP ENERGY SERVICES LTD.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

| Unaudited<br>(in thousands of Canadian dollars, except per share amounts) | Notes | For the three months ended June 30, 2021 | 2020 | For the six months ended June 30, 2021 | 2020 |
|---|---|---|---|---|---|
| Revenue | | $ 107,546 | $ 40,644 | $ 244,358 | $ 235,014 |
| Operating expenses | 3,11 | 106,439 | 61,854 | 240,808 | 249,906 |
| Gross (loss) profit | | 1,107 | (21,210) | 3,550 | (14,892) |
| Selling, general and administrative expenses | 3,11 | 10,095 | 6,167 | 18,470 | 15,755 |
| Results from operating activities | | (8,988) | (27,377) | (14,920) | (30,647) |
| Finance costs | 12 | 3,433 | 3,402 | 6,520 | 7,862 |
| Foreign exchange (gain) loss | | (38) | (1,422) | (48) | 1,195 |
| Gain on disposal of property and equipment | | (554) | (185) | (185) | (1,015) |
| Amortization of intangible assets | | 112 | 132 | 227 | 261 |
| Impairment of property and equipment | 4 | - | 13,595 | - | 72,345 |
| Loss before income tax | | (11,941) | (42,899) | (21,434) | (111,295) |
| Income tax (recovery) expense | | | | | |
| Current | | 18 | (2,142) | 65 | (1,065) |
| Deferred | | (1,377) | (409) | (2,973) | (17,678) |
| | | (1,359) | (2,551) | (2,908) | (18,743) |
| Net loss | | (10,582) | (40,348) | (18,526) | (92,552) |
| Other comprehensive (loss) income | | | | | |
| Foreign currency translation (loss) gain | | (2,354) | (9,368) | (4,905) | 11,594 |
| Total comprehensive loss | | $ (12,936) | $ (49,716) | $ (23,431) | $ (80,958) |
| Loss per share: | | | | | |
| Basic | 10 | $ (0.16) | $ (0.60) | $ (0.27) | $ (1.38) |
| Diluted | 10 | $ (0.16) | $ (0.60) | $ (0.27) | $ (1.38) |

See accompanying notes to the condensed consolidated interim financial statements

# STEP ENERGY SERVICES LTD.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

| Unaudited (in thousands of Canadian dollars) | Notes | Share capital | Contributed surplus | Accumulated other comprehensive (loss) income | Deficit | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | | $ 428,817 | $ 32,198 | $ 5,852 | $ (144,044) | $ 322,823 |
| Net loss for the period | | - | - | - | (92,552) | (92,552) |
| Foreign currency translation loss | | - | - | 11,594 | - | 11,594 |
| Share-based compensation | 9 | - | 1,722 | - | - | 1,722 |
| Exercise of equity share-based compensation | 8,9 | 915 | (683) | - | - | 232 |
| Balance at June 30, 2020 | | $ 429,732 | $ 33,237 | $ 17,446 | $ (236,596) | $ 243,819 |
| | | | | | | |
| Balance at January 1, 2021 | | $ 431,798 | $ 32,371 | $ 3,812 | $ (263,402) | $ 204,579 |
| Net loss for the period | | - | - | - | (18,526) | (18,526) |
| Foreign currency translation loss | | - | - | (4,905) | - | (4,905) |
| Share-based compensation | 9 | - | 1,897 | - | - | 1,897 |
| Exercise of equity share-based compensation | 8,9 | 3,861 | (3,861) | - | - | - |
| **Balance at June 30, 2021** | | **$ 435,659** | **$ 30,407** | **$ (1,093)** | **$ (281,928)** | **$ 183,045** |

See accompanying notes to the condensed consolidated interim financial statements

# STEP ENERGY SERVICES LTD.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

| Unaudited (in thousands of Canadian dollars) | Notes | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the six months ended June 30, 2021 | For the six months ended June 30, 2020 |
|---|---|---|---|---|---|
| Operating activities: | | | | | |
| Net loss | | $ (10,582) | $ (40,348) | $ (18,526) | $ (92,552) |
| Adjusted for the following: | | | | | |
| Depreciation and amortization | 4,5 | 18,192 | 22,035 | 36,410 | 49,176 |
| Share-based compensation | 9 | 2,584 | 2,007 | 6,373 | 1,068 |
| Unrealized foreign exchange (gain) loss | | (31) | (1,280) | (134) | 1,048 |
| Gain on disposal of property and equipment | | (554) | (185) | (185) | (1,015) |
| Impairment of property and equipment | 4 | - | 13,595 | - | 72,345 |
| Finance costs | 12 | 3,433 | 3,402 | 6,520 | 7,862 |
| Income tax recovery | | (1,359) | (2,551) | (2,908) | (18,743) |
| Cash finance costs paid | | (3,011) | (2,984) | (5,539) | (8,400) |
| Income taxes recovered | | 44 | 2,993 | 44 | 2,978 |
| Changes in non-cash working capital from operating activities | | 10,981 | 48,538 | 9,571 | 48,789 |
| Net cash provided by operating activities | | 19,697 | 45,222 | 31,626 | 62,556 |
| Investing activities: | | | | | |
| Purchase of property and equipment | 4 | (10,005) | (976) | (17,878) | (12,670) |
| Proceeds from disposal of equipment and vehicles | | 63 | 751 | 71 | 3,288 |
| Changes in non-cash working capital from investing activities | | (823) | (4,107) | 829 | (6,353) |
| Net cash used in investing activities | | (10,765) | (4,332) | (16,978) | (15,735) |
| Financing activities: | | | | | |
| Repayment of loans and borrowings | 6 | (13,810) | (60,568) | (9,912) | (35,941) |
| Repayment of finance lease obligations | | (1,539) | (1,695) | (2,987) | (3,541) |
| Net cash used in financing activities | | (15,349) | (62,263) | (12,899) | (39,482) |
| Impact of exchange rate changes on cash and cash equivalents | | (64) | (239) | (41) | 657 |
| (Decrease) increase in cash and cash equivalents | | (6,481) | (21,612) | 1,708 | 7,996 |
| Cash and cash equivalents, beginning of period | | 9,455 | 36,875 | 1,266 | 7,267 |
| Cash and cash equivalents, end of period | | $ 2,974 | $ 15,263 | $ 2,974 | $ 15,263 |

See accompanying notes to the condensed consolidated interim financial statements

# STEP ENERGY SERVICES LTD.

## Notes to the condensed consolidated interim financial statements

(unaudited)

As at and for the three and six months ended June 30, 2021 and 2020.

Tabular amounts expressed in thousands of Canadian dollars, except where otherwise noted.

## NOTE 1 – NATURE OF BUSINESS AND BASIS OF PREPARATION

STEP Energy Services Ltd. (the "Company", "STEP Energy Services" or "STEP") is a publicly traded company domiciled in Canada, incorporated under the laws of the Province of Alberta on March 25, 2011 and is listed under the symbol "STEP" on the Toronto Stock Exchange. The registered office of the Company is 4300, 888 - 3rd Street SW, Calgary, Alberta T2P 5C5 and the principal place of business is 1200, 205-5th Ave SW, Calgary, Alberta T2P 2V7. STEP provides specialized coiled tubing and associated pumping and fracturing equipment to service the oil and gas industry in Canada and the United States ("U.S.").

### Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the last annual financial statements, except for government grants. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2020.

These condensed consolidated interim financial statements were approved by the Board of Directors ("Board") on August 11, 2021.

Certain comparative figures have been reclassified to conform to the financial statement presentation for the current period. $1.8 million of deferred share units were reclassified from trade and other payables to other liabilities as at December 31, 2020.

### Seasonality of operations

The Company's Canadian business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs between March and June. The Company's operating activities can also be affected by extended periods of adverse weather which can result in restrictions to the movement of heavy equipment. Activity in the southern United States is generally not as influenced by seasonal conditions.

### Critical accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates and judgments concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the condensed consolidated interim financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes.

*COVID-19 and Liquidity*

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. COVID-19's impact on global markets was significant through the year and as the situation continues to evolve, the magnitude of the effects on the economy, STEP's operations, employees and financial performance continues to be uncertain. During the second quarter of 2021, the uptake of vaccines in first world countries and easing of government restrictions worldwide has led to optimism and the beginning of an economic recovery. It is expected that there will continue to be periodic and isolated public health measures worldwide to manage the spread of COVID-19 variants.

Management continues to monitor the COVID-19 situation and should the duration, spread and intensity of the pandemic continue to develop throughout the remainder of 2021, further negative impacts on supply chains, market pricing and client programs and employees can be expected. These factors may impact STEP's operating plan, liquidity and cashflows, and the valuation of long-term assets.

With the signing of the Second Amending Agreement discussed in Note 2 and Note 6, STEP is expecting compliance with the financial covenants applicable to our Credit Facilities for at least the next twelve months. A decrease or sustained period of materially reduced client spending and demand for STEP's services may result in non-compliance with our financial covenants and reduced liquidity related to changes in our Credit Facilities. Non-compliance with the financial covenants in our Credit Facilities could result in our debt becoming due and payable on demand. Should we anticipate non-compliance we will proactively approach our lending syndicate to amend the Credit Facilities to ensure their availability. There is no certainty that we will be successful in negotiating such amendments.

## NOTE 2 – SUBSEQUENT EVENT

August 3, 2021, STEP entered into a Second Amending Agreement with a syndicate of financial institutions to extend the maturity date of its Credit Facilities to July 30, 2023, as well as amended and extended the Covenant Relief Period (as defined in the Credit Facilities) for certain covenant provisions therein. See Note 6 for details.

Because the Second Amending Agreement was approved before the release of these Financial Statements and Notes but after June 30, 2021, IFRS requires STEP to classify any outstanding loans and borrowings as a current liability. Effective August 3, 2021, STEP reclassified the June 30, 2021 balance of $184.0 million in loans and borrowings under the Credit Facilities from current liabilities to long-term liabilities. STEP is scheduled to begin making repayments March 31, 2022 and each quarter thereafter. The first and second quarter 2022 repayments of $14.0 million remained current.

As at June 30, 2021, the Company had a Second Amended and Restated Credit Agreement with a syndicate of lenders comprised of a Canadian $200.0 million term loan facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a U.S. $15.0 million operating facility (together the "Credit Facilities"). As described above, the Company entered into a Second Amending Agreement on August 3, 2021 to amend its Credit Facilities to extend the maturity date of the Credit Facilities to July 30, 2023, and extended the Covenant Relief Period (as defined in the Credit Facilities) to June 30, 2022 to permit a maximum Funded Debt to Adjusted Bank EBITDA Ratio of 3.50:1, and a maximum Interest Coverage Ratio of 3.00:1 for the fiscal quarter ending June 30, 2022.

## NOTE 3 – GOVERNMENT GRANTS

Due to COVID-19 (see Note 1 – *COVID-19 and Liquidity*) the Government of Canada has implemented the COVID-19 Economic Response Plan. Under the plan, the Company is eligible for the Canada Emergency Wage Subsidy ("CEWS") in which Canadian businesses impacted by COVID-19 may be eligible for wage subsidies for any week retroactive from March 15, 2020 to September 25, 2021. The program is currently divided into four week periods. CEWS was primarily calculated using a sliding scale of subsidy based on overall revenue reductions in each period. For the three months ended June 30, 2021, the Company has recognized $1.9 million (June 30, 2020 - $3.1 million) in grants under the CEWS as a reduction of employee costs of $1.7 million (June 30, 2020 - $2.5 million) in operating expenses and $0.2 million (June 30, 2020 - $0.6 million) in selling, general, and adminstrative expenses. For the six months ended June 30, 2021, the Company has recognized $5.7 million (June 30 - $3.1 million) in grants under the CEWS as a reduction of employee costs of $5.2 million (June 30, 2020 - $2.5 million) in operating expenses and $0.5 million (June 30, 2020 - $0.6 million) in selling, general, and adminstrative expenses.

## NOTE 4 – PROPERTY AND EQUIPMENT

| | Land and buildings | Vehicles | Field equipment | Office equipment | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balance at January 1, 2020 | $ 37,032 | 667 | 698,368 | 8,553 | 744,620 |
| Additions | 304 | - | 17,281 | 241 | 17,826 |
| Disposals | - | (41) | (6,822) | - | (6,863) |
| Reclassification of assets held for sale | 752 | - | 614 | - | 1,366 |
| Effect of exchange rate changes | (253) | - | (6,356) | (25) | (6,634) |
| Balance at December 31, 2020 | $ 37,835 | $ 626 | $ 703,085 | $ 8,769 | $ 750,315 |
| Additions | 870 | - | 16,941 | 67 | 17,878 |
| Disposals | - | (55) | (6,100) | (10) | (6,165) |
| Effect of exchange rate changes | (323) | (2) | (7,731) | (33) | (8,089) |
| **Balance at June 30, 2021** | **$ 38,382** | **$ 569** | **$ 706,195** | **$ 8,793** | **$ 753,939** |
| | | | | | |
| Accumulated depreciation: | | | | | |
| Balance at January 1, 2020 | $ 5,212 | $ 657 | $ 224,940 | $ 6,766 | $ 237,575 |
| Depreciation | 1,537 | 12 | 78,750 | 696 | 80,995 |
| Impairment | 3,902 | - | 67,702 | 246 | 71,850 |
| Disposals | - | (35) | (3,826) | - | (3,861) |
| Effect of exchange rate changes | (55) | (8) | (4,326) | (19) | (4,408) |
| Balance at December 31, 2020 | 10,596 | $ 626 | $ 363,240 | $ 7,689 | $ 382,151 |
| Depreciation | 836 | - | 31,978 | 352 | 33,166 |
| Disposals | - | (47) | (5,961) | - | (6,008) |
| Effect of exchange rate changes | (43) | (8) | (3,286) | (13) | (3,350) |
| **Balance at June 30, 2021** | **$ 11,389** | **$ 571** | **$ 385,971** | **$ 8,028** | **$ 405,959** |
| Carrying amounts: | | | | | |
| As at December 31, 2020 | $ 27,239 | $ - | $ 339,845 | $ 1,080 | $ 368,164 |
| **As at June 30, 2021** | **$ 26,993** | **$ (2)** | **$ 320,224** | **$ 765** | **$ 347,980** |

Included in field equipment at June 30, 2021 were maintenance capital projects underway of $7.7 million (December 31, 2020 - $2.5 million). Maintenance capital projects underway are not depreciated until they are substantially complete and available for use.

During the second quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its U.S. fracturing cash generating unit (“CGU”) of $13.1 million. During the first quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its Canadian fracturing CGU of $58.8 million. At June 30, 2021, the Company performed an assessment of external and internal indicators of impairment or reversal of previous impairments and determined that there have been no changes that require an impairment test.

## NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

| | | Buildings | | Vehicles | | Office equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | $ | 9,002 | $ | 22,448 | $ | 270 | $ | 31,720 |
| Additions | | 3,431 | | 938 | | 9 | | 4,378 |
| Disposals | | (744) | | (10,912) | | - | | (11,656) |
| Effect of exchange rate changes | | (362) | | (99) | | (1) | | (462) |
| Balance at December 31, 2020 | $ | 11,327 | $ | 12,375 | $ | 278 | $ | 23,980 |
| Additions | | 825 | | 2,127 | | - | | 2,952 |
| Disposals | | - | | (542) | | - | | (542) |
| Effect of exchange rate changes | | (171) | | (212) | | (1) | | (384) |
| **Balance at June 30, 2021** | **$** | **11,981** | **$** | **13,748** | **$** | **277** | **$** | **26,006** |
| | | | | | | | | |
| Accumulated depreciation: | | | | | | | | |
| Balance at January 1, 2020 | $ | 2,225 | $ | 10,632 | $ | 70 | $ | 12,927 |
| Depreciation | | 2,931 | | 4,385 | | 74 | | 7,390 |
| Disposals | | (705) | | (6,904) | | - | | (7,609) |
| Effect of exchange rate changes | | (63) | | (115) | | (3) | | (181) |
| Balance at December 31, 2020 | $ | 4,388 | $ | 7,998 | $ | 141 | $ | 12,527 |
| Depreciation | | 1,489 | | 1,495 | | 33 | | 3,017 |
| Disposals | | - | | (400) | | - | | (400) |
| Effect of exchange rate changes | | (42) | | (137) | | (1) | | (180) |
| **Balance at June 30, 2021** | **$** | **5,835** | **$** | **8,956** | **$** | **173** | **$** | **14,964** |
| Carrying amounts: | | | | | | | | |
| As at December 31, 2020 | $ | 6,939 | $ | 4,377 | $ | 137 | $ | 11,453 |
| **As at June 30, 2021** | **$** | **6,146** | **$** | **4,792** | **$** | **104** | **$** | **11,042** |

With respect to the right-of-use assets above, the Company has lease contracts for light duty vehicles, office buildings, service centers and copiers. The maturity date of these contracts ranges from July 2021 to February 2026 with interest rates ranging from 2.68% to 12.14% per annum. Lease payments made by the Company are blended interest and principal payments. The Company's lease obligations are as follows:

| As at | | **June 30, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| Future minimum lease payments | **$** | **13,094** | $ | 13,868 |
| Discount | | **(949)** | | (1,151) |
| Present value of minimum lease payments | **$** | **12,145** | $ | 12,717 |
| Presented as: | | | | |
| Current portion of lease obligations | **$** | **5,646** | $ | 5,919 |
| Lease obligations | **$** | **6,499** | $ | 6,798 |

## NOTE 6 – LOANS AND BORROWINGS

As at June 30, 2021, the Company's Credit Facilities with a syndicate of lenders were comprised of a Canadian $200.0 million term loan facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a U.S. $15.0 million operating facility (together the "Credit Facilities"). As previously mentioned in the SUBSEQUENT EVENT Note 2, the Company entered into a Second Amending Agreement on August 3, 2021 to extend the maturity date of the Credit Facilities to July 30, 2023, and to amend and extend the Covenant Relief Period (as defined in the Credit Facilities) to June 30, 2022 to permit a maximum Funded Debt to Adjusted Bank EBITDA Ratio of 3.50:1, and a maximum Interest Coverage Ratio of 3.00:1 for the fiscal quarter ending June 30, 2022. The Amended Credit Facilities include a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. Any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants.

Scheduled quarterly repayments of the term loan facility of $7.0 million per quarter commence on March 31, 2022. The balance is due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of: (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of $10 million Canadian less priority payables and certain liquidity requirements (see item five below). At June 30, 2021, the Company's borrowing base was $42.1 million compared to $49.3 million as at December 31, 2020. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base. As amended August 3, 2021 the Credit Facilities include certain financial and non-financial covenants, including:

1. A Funded Debt to Tangible Net Worth ratio. This refers to the ratio of total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to the sum of shareholders' equity plus subordinated Debt, less all assets considered intangible (leasehold improvements, goodwill, intangibles etc.). The Company is required to meet the following Funded Debt to Tangible Net Worth ratios:

| Quarters Ended | Funded Debt to Tangible Net Worth ratio maximum permitted |
|---|---|
| June 30, 2021 | 1.50:1 |
| September 30, 2021 | 1.75:1 |
| December 31, 2021 and thereafter | Not Tested |

   As at June 30, 2021, STEP's Funded Debt to Tangible Net Worth ratio was 1.11:1.

2. A Minimum Quarterly Adjusted Bank EBITDA covenant. Adjusted Bank EBITDA means, the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The Company is required to meet the following Adjusted bank EBITDA:

| Quarters Ended | Adjusted Bank EBITDA minimum permitted (000's) | |
|---|---|---|
| June 30, 2021 | $ | 5,033 |
| September 30, 2021 | $ | 7,869 |
| December 31, 2021 and thereafter | | Not Tested |

   As at June 30, 2021, STEP's quarterly Adjusted Bank EBITDA was $13,611.

3. An Interest Coverage Ratio. This refers to the ratio of Adjusted Bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to meet the following interest coverage ratios:

| Quarters Ended | Interest Coverage ratio minimum permitted |
|---|---|
| June 30, 2021 | Not Tested |
| September 30, 2021 | Not Tested |
| December 31, 2021 | 3.00:1 |
| March 31, 2022 | 3.00:1 |
| June 30, 2022 | 3:00:1 |
| September 30, 2022 and thereafter | 3.00:1 |

4. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis.

| Quarters Ended | Funded Debt to Adjusted Bank EBITDA ratio maximum permitted |
|---|---|
| June 30, 2021 | Not Tested |
| September 30, 2021 | Not Tested |
| December 31, 2021 | 4.50:1 |
| March 31, 2022 | 4.00:1 |
| June 30, 2022 | 3.50:1 |
| September 30, 2022 and thereafter | 3.00:1 |

5. A Minimum Liquidity Availability. This means the Company must ensure on a consolidated monthly basis during the Covenant Relief Period (as defined in the Credit Facilities) Liquidity Availability of $7.5 million or greater. Liquidity Availability means the applicable Borrowing Base minus the sum of: (a) all outstanding accommodations under the revolving facility and the operating facilities; and (b) all interest, fees, expenses, and other amounts due and payable under the Credit Facilities. The Liquidity Availability was $41.9 million at June 30, 2021 compared to $49.0 million as at December 31, 2020.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at June 30, 2021.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 200 basis points to 500 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three and six months ended June 30, 2021 was 4.95% and 4.70%, respectively (three and six months ended June 30, 2020 – 4.10% and 4.90%, respectively). The Company has total outstanding letters of credit of $0.03 million. The total amount of Credit Facilities outstanding on June 30, 2021 is as follows:

| As at | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Short term portion of term loan facility | **$** | **199,987** | $ | - |
| Long term portion of term loan facility | | **-** | | 210,000 |
| Canadian and U.S. operating lines | | **-** | | 1 |
| Revolving facility | | **-** | | - |
| Deferred financing costs | | **(1,995)** | | (2,371) |
| Loans and borrowings | **$** | **197,992** | $ | 207,630 |

The following table displays the movements in loans and borrowings during the six months ended June 30, 2021:

| | | (000's) |
|---|---|---|
| Balance at January 1, 2021 | $ | 207,630 |
| Repayment of loans and borrowings | | (9,912) |
| Deferred financing incurred | | (581) |
| Accretion of deferred financing costs | | 958 |
| Interest payable | | 82 |
| Unrealized foreign exchange loss | | (185) |
| **Balance at June 30, 2021** | $ | 197,992 |

With the signing of the Second Amending Agreement discussed above and in Note 2, STEP is expecting compliance with the financial covenants applicable to the Credit Facilities for at least the next twelve months. A decrease or sustained period of materially reduced client spending and demand for STEP's services may result in non-compliance with our financial covenants and reduced liquidity related to changes in our Credit Facilities. Non-compliance with the financial covenants in our Credit Facilities could result in our debt becoming due and payable on demand. Should we anticipate non-compliance we will proactively approach our lending syndicate to amend the Credit Facilities to ensure their availability. There is no certainty that we will be successful in negotiating such amendments.

## NOTE 7 – COMMITMENTS

The following table summarizes the Company's estimated commitments that are not included in the condensed consolidated interim statement of financial position related to leases as at June 30, 2021 for the following five years and thereafter:

| | | 2021 | | 2022 | | 2023 | | 2024 | | 2025 | | Thereafter | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating expenses for lease obligations[(1)] | $ | 748 | $ | 1,448 | $ | 1,442 | $ | 318 | $ | 255 | $ | 41 | $ | 4,252 |
| Short term and low value lease obligations[(1)] | | 50 | | 21 | | - | | - | | - | | - | | 71 |
| Total commitments | $ | 798 | $ | 1,469 | $ | 1,442 | $ | 318 | $ | 255 | $ | 41 | $ | 4,323 |

(1) *Includes U.S. obligations at an estimated forecast exchange rate of 1 USD = 1.21 CAD.*

Operating expenses related to lease obligations relate to leases of certain service centers and office space with lease terms of between 1 year and 6 years. The total expense recognized during the three and six months ended June 30, 2021 for short term and low value lease obligations was $0.4 million and $0.9 million, respectively.

As at June 30, 2021, the Company has $3.5 million (December 31, 2020 - $2.9 million) of commitments related to capital expenditures. These commitments are expected to be incurred in fiscal 2021.

## NOTE 8 – SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The shares have no par value. All issued shares are fully paid.

| | Shares # | Amount |
|---|---|---|
| Balance at January 1, 2020 | 66,942,830 | $ 428,817 |
| Issued – exercise of share-based instruments | 770,994 | 2,981 |
| Balance at December 31, 2020 | 67,713,824 | 431,798 |
| Issued – exercise of share-based instruments | 378,123 | 3,861 |
| **Balance at June 30, 2021** | **68,091,947** | **$ 435,659** |

## NOTE 9 – SHARE-BASED COMPENSATION

### Equity settled share-based instruments

| | New stock options | Restricted share units | Performance share units | Prior stock options | Performance warrants | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | 2,121,760 | 394,971 | 469,169 | 3,532,509 | 7,500,128 | 14,018,537 |
| Granted | 1,696,800 | - | - | - | - | 1,696,800 |
| Exercised | - | (170,610) | (106,228) | - | - | (276,838) |
| Forfeited/Expired | (242,459) | (104,839) | (14,960) | (1,728,064) | (4,576,156) | (6,666,478) |
| **Outstanding at December 31, 2020** | **3,576,101** | **119,522** | **347,981** | **1,804,445** | **2,923,972** | **8,772,021** |
| Exercisable at December 31, 2020 | 717,008 | - | 75,771 | 1,804,445 | 2,400,232 | 4,997,456 |

| | New stock options | Restricted share units | Performance share units | Prior stock options | Performance warrants | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2021 | 3,576,101 | 119,522 | 347,981 | 1,804,445 | 2,923,972 | 8,772,021 |
| Granted | 853,983 | 690,597 | - | - | - | 1,544,580 |
| Cancelled | - | - | (45,774) | - | - | (45,774) |
| Exercised | (36,933) | (48,807) | (302,198) | - | - | (387,938) |
| Forfeited/Expired | (31,926) | (12,157) | (9) | (62,566) | (140,400) | (247,058) |
| **Outstanding at June 30, 2021** | **4,361,225** | **749,155** | **-** | **1,741,879** | **2,783,572** | **9,635,831** |
| Exercisable at June 30, 2021 | 1,774,915 | - | - | 1,741,879 | 2,306,392 | 5,823,186 |

### Cash settled share-based instruments

| | Deferred share units | Cash-settled RSUs | Cash-settled PSUs | Total |
|---|---|---|---|---|
| Balance at January 1, 2020 | 546,950 | 2,305,851 | 847,379 | 3,700,180 |
| Granted | 1,856,860 | 954,133 | 736,500 | 3,547,493 |
| Cancelled | - | - | 19,294 | 19,294 |
| Exercised | - | (571,076) | (20,151) | (591,227) |
| Forfeited/Expired | - | (785,070) | (80,106) | (865,176) |
| **Outstanding at December 31, 2020** | **2,403,810** | **1,903,838** | **1,502,916** | **5,810,564** |
| Exercisable at December 31, 2020 | - | - | - | - |

| | Deferred share units | Cash-settled RSUs | Cash-settled PSUs | Total |
|---|---|---|---|---|
| Balance at January 1, 2021 | 2,403,810 | 1,903,838 | 1,502,916 | 5,810,564 |
| Granted | 151,707 | 34,402 | - | 186,109 |
| Exercised | - | (809,513) | (20,155) | (829,668) |
| Forfeited/Expired | - | (95,465) | (148,341) | (243,806) |
| **Outstanding at June 30, 2021** | **2,555,517** | **1,033,262** | **1,334,420** | **4,923,199** |
| Exercisable at June 30, 2021 | - | - | - | - |

The aggregate liability for all cash settled share-based instruments of $6.0 million is included in the statement of financial position; $1.1 million in trade and other payables and $4.9 million in other long-term liabilities. At each reporting date, between grant date and settlement date of cash settled share-based instruments, the fair value of the liability is re-measured with any changes in fair value recognized in net loss for the period.

### Share-based compensation expense

The composition of share-based compensation expense incurred was:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Prior stock options | **$ -** | $ - | **$ -** | $ 4 |
| New stock options | **201** | 282 | **430** | 572 |
| Performance warrants | **51** | 555 | **107** | 591 |
| Performance share units | **-** | 95 | **1,226** | 385 |
| Restricted share units | **59** | 112 | **134** | 170 |
| Cash-settled deferred share units | **1,497** | 767 | **2,796** | 124 |
| Cash-settled performance share units | **213** | 17 | **374** | (77) |
| Cash-settled restricted share units | **563** | 179 | **1,306** | (701) |
| Total share-based compensation expense | **$ 2,584** | $ 2,007 | **$ 6,373** | $ 1,068 |

## NOTE 10 – PER SHARE COMPUTATIONS

| | Three months ended June 30, 2020 | 2019 | Six months ended June 30, 2020 | 2019 |
|---|---|---|---|---|
| Weighted average number of shares outstanding - basic | **68,051,699** | 67,236,580 | **67,886,996** | 67,090,259 |
| Dilutive impact of stock options and performance warrants | **-** | - | **-** | - |
| Weighted average number of shares outstanding - diluted | **68,051,699** | 67,236,580 | **67,886,996** | 67,090,259 |

For the three months ended June 30, 2021, 1.7 million prior stock options, 2.8 million performance warrants, 4.4 million new stock options, and 0.7 million restricted share units were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive (June 30, 2020: 2.1 million prior stock options, 3.1 million performance warrants, 3.6 million new stock options, 0.3 million restricted share units, and 0.4 million performance share units).

## NOTE 11 – PRESENTATION OF EXPENSES

| | Three months ended June 30, 2021 | 2020 | Six months ended June 30, 2021 | 2020 |
|---|---|---|---|---|
| Operating expenses | | | | |
| Employee costs(1) | **$ 28,549** | $ 14,001 | **$ 58,783** | $ 67,611 |
| Operating expense | **30,572** | 11,611 | **64,296** | 53,752 |
| Materials and inventory costs | **28,977** | 14,248 | **80,830** | 80,194 |
| | **88,098** | 39,860 | **203,909** | 201,557 |
| Depreciation | **17,849** | 21,615 | **35,700** | 48,321 |
| Share-based compensation | **492** | 379 | **1,199** | 28 |
| Total operating expenses | **106,439** | 61,854 | **240,808** | 249,906 |
| | | | | |
| Selling, general and administrative expenses | | | | |
| Employee costs(1) | **4,121** | 2,544 | **7,658** | 7,897 |
| General expenses | **3,651** | 1,707 | **5,155** | 3,724 |
| | **7,772** | 4,251 | **12,813** | 11,621 |
| Allowance for doubtful accounts expense (recovery) | **-** | - | **-** | 2,500 |
| Depreciation | **231** | 288 | **483** | 594 |
| Share-based compensation | **2,092** | 1,628 | **5,174** | 1,040 |
| Total selling, general and administrative expenses | **$ 10,095** | $ 6,167 | **$ 18,470** | $ 15,755 |

*(1) Employee expenses are net of CEWS issued. See Note 2 - Government Grants.*

## NOTE 12 – FINANCE COSTS

| | Three months ended June 30, 2021 | 2020 | Six months ended June 30, 2021 | 2020 |
|---|---|---|---|---|
| Interest on loans and borrowings | **$ 2,734** | $ 2,804 | **$ 5,337** | $ 6,612 |
| Interest on lease obligations | **188** | 226 | **376** | 497 |
| Interest income | **(2)** | (1) | **(48)** | 8 |
| Accretion of deferred financing charges | **497** | 349 | **958** | 671 |
| Other | **16** | 24 | **(103)** | 74 |
| Total finance costs | **$ 3,433** | $ 3,402 | **$ 6,520** | $ 7,862 |

## NOTE 13 – FINANCIAL INSTRUMENTS

### Accounting classifications and fair values

Cash and cash equivalents, trade and other receivables, trade and other payables, income tax receivable and payable, and loans and borrowings are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash and cash equivalents, trade and other receivables, income tax receivable and payable, and trade and other payables approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value. The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

### Credit risk

Credit risk is the risk that a counterparty to a financial asset will not discharge its obligations, resulting in a financial loss to the Company. The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. Global events, first occurring in 2020 and in the second quarter of 2021 have, and are expected to continue to have a significant impact on client credit risk (see Note 1 – *COVID-19 and Liquidity*). These factors have been incorporated in the Company's assessment of expected credit losses at June 30, 2021. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure on this balance and management's assessment of the credit risk associated with its clients. The Company's objective is to minimize credit losses.

The Company's aged trade and other receivables are as follows:

| As at | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Current (0 to 30 days from invoice date) | $ | 48,078 | $ | 28,879 |
| 31 - 60 days | | 3,635 | | 25,154 |
| 61 - 90 days | | 565 | | 5,211 |
| 91+ days | | 6,624 | | 6,609 |
| Receivables from trade clients | | 58,902 | | 65,853 |
| Allowance for doubtful accounts | | (6,636) | | (6,707) |
| Other amounts | | 2,644 | | 4,325 |
| Total trade and other receivables | $ | 54,910 | $ | 63,471 |

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in the cash and cash equivalents account. See Notes 2 and 6.

The expected timing of cash outflows relating to financial liabilities on the condensed consolidated interim statement of financial position as at June 30, 2021 are:

| | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Lease obligations(1) | $ 3,888 | $ 4,121 | $ 3,068 | $ 1,488 | $ 509 | $ 20 | **$ 13,094** |
| Trade and other payables | 46,250 | - | - | - | - | - | **46,250** |
| Income tax payable | 19 | - | - | - | - | - | **19** |
| Loans and borrowings(2)(3) | 5,011 | 204,697 | - | - | - | - | **209,708** |
| | $ 55,168 | $ 208,818 | $ 3,068 | $ 1,488 | $ 509 | $ 20 | **$ 269,071** |

*(1) Includes interest portion of lease obligations.*

*(2) Includes estimated interest and principal repayments, based on current amounts outstanding and current interest rates at June 30, 2021. Both are variable in nature.*

*(3) Refer to SUBSEQUENT EVENT Note 2*

The Company anticipates that its cash on hand, trade accounts receivable and cash provided by operating activities, will be adequate to satisfy its liquidity requirements over the next twelve months. Total cash, trade and other receivables and income tax receivable exceeds the obligations in the table above as well as operating and capital commitments.

As at June 30, 2021, the Company has not drawn its operating facility and continues to undertake steps to reduce overall debt. Reductions in clients' cash flow or difficulty in their ability to source debt or equity also could negatively impact the Company's assessment of liquidity risk (see Note 1 – *COVID- 19 and Liquidity*).

### Market risk

Market risk is the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market rates. Market risk is comprised of interest rate risk, currency risk and other price risks which consist primarily of fluctuations in commodity prices.

## NOTE 14 - CONTINGENCIES AND PROVISIONS

### Litigation

During the second quarter, the Company reached a settlement related to the Calfrac Well Services Ltd. litigation.

Periodically, the Company may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on input from internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information, and other evidence and facts specific to the matter as known at the time of the assessment. The Company makes any appropriate provisions based on such assessments.

## NOTE 15 – OPERATING SEGMENTS

The Company's services are conducted by the Canadian Operations and the U.S. Operations segments. The results of each operating segment are summarized below. Transactions between the segments are recorded at fair value and have been eliminated upon consolidation.

### Segmented operating results and activity

| Three months ended June 30, 2021 | Canadian Operations | U.S. Operations | Corporate | Total |
|---|---|---|---|---|
| Revenue | | | | |
| Fracturing | $ 55,321 | $ 19,036 | $ - | $ 74,357 |
| Coiled tubing | 17,844 | 15,345 | - | 33,189 |
| Total revenue | 73,165 | 34,381 | - | 107,546 |
| Expenses | | | | |
| Operating expenses | 65,943 | 40,218 | 278 | 106,439 |
| Selling, general and administrative | 1,778 | 1,546 | 6,771 | 10,095 |
| Results from operating activities | 5,444 | (7,383) | (7,049) | (8,988) |
| Finance costs | - | - | 3,433 | 3,433 |
| Foreign exchange (gain) loss | (8) | (30) | - | (38) |
| (Gain) loss on disposal of property and equipment | (64) | (490) | - | (554) |
| Amortization of intangible assets | 10 | 102 | - | 112 |
| Income (loss) before income tax | $ 5,506 | $ (6,965) | $ (10,482) | $ (11,941) |
| | | | | |
| Capital expenditures (1) | $ 5,253 | $ 5,469 | $ - | $ 10,722 |
| Total assets as at June 30, 2021 | $ 230,131 | $ 213,967 | $ 1,007 | $ 445,105 |
| Total liabilities as at June 30, 2021 | $ 237,149 | $ 24,911 | $ - | $ 262,060 |

| Three months ended June 30, 2020 | Canadian Operations | U.S. Operations | Corporate | Total |
|---|---|---|---|---|
| Revenue | | | | |
| Fracturing | $ 3,397 | $ 20,483 | $ - | $ 23,880 |
| Coiled tubing | 10,491 | 6,273 | - | 16,764 |
| Total revenue | 13,888 | 26,756 | - | 40,644 |
| Expenses | | | | |
| Operating expenses | 23,003 | 38,711 | 140 | 61,854 |
| Selling, general and administrative | 931 | 1,656 | 3,580 | 6,167 |
| Results from operating activities | (10,046) | (13,611) | (3,720) | (27,377) |
| Finance costs | - | - | 3,402 | 3,402 |
| Foreign exchange (gain) loss | (1,429) | 7 | - | (1,422) |
| (Gain) loss on disposal of property and equipment | (87) | (98) | - | (185) |
| Amortization of intangible assets | 10 | 122 | - | 132 |
| Impairment | 495 | 13,100 | - | 13,595 |
| Income (loss) before income tax | $ (9,035) | $ (26,742) | $ (7,122) | $ (42,899) |
| | | | | |
| Capital expenditures (1) | $ 147 | $ 1,765 | $ - | $ 1,912 |
| Total assets as at June 30, 2020 | $ 254,407 | $ 262,461 | $ 1,389 | $ 518,257 |
| Total liabilities as at June 30, 2020 | $ 28,235 | $ 43,606 | $ 202,597 | $ 274,438 |

(1) *Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets.*

| Six months ended<br>June 30, 2021 | Canadian<br>Operations | U.S.<br>Operations | Corporate | Total |
|---|---|---|---|---|
| Revenue | | | | |
| Fracturing | $ 143,150 | $ 35,461 | $ - | $ 178,611 |
| Coiled tubing | 39,377 | 26,370 | - | 65,747 |
| Total revenue | 182,527 | 61,831 | - | 244,358 |
| Expenses | | | | |
| Operating expenses | 162,071 | 78,246 | 491 | 240,808 |
| Selling, general and administrative | 3,543 | 2,953 | 11,974 | 18,470 |
| Results from operating activities | 16,913 | (19,368) | (12,465) | (14,920) |
| Finance costs | - | - | 6,520 | 6,520 |
| Foreign exchange (gain) loss | (26) | (22) | - | (48) |
| (Gain) loss on disposal of property and equipment | (257) | 72 | - | (185) |
| Amortization of intangible assets | 20 | 207 | - | 227 |
| Income (loss) before income tax | $ 17,176 | $ (19,625) | $ (18,985) | $ (21,434) |
| | | | | |
| Capital expenditures (1) | $ 11,360 | $ 9,470 | $ - | $ 20,830 |
| Total assets as at June 30, 2021 | $ 230,131 | $ 213,967 | $ 1,007 | $ 445,105 |
| Total liabilities as at June 30, 2021 | $ 237,149 | $ 24,911 | $ - | $ 262,060 |

| Six months ended<br>June 30, 2020 | Canadian<br>Operations | U.S.<br>Operations | Corporate | Total |
|---|---|---|---|---|
| Revenue | | | | |
| Fracturing | $ 86,948 | $ 80,925 | $ - | $ 167,873 |
| Coiled tubing | 35,690 | 31,451 | - | 67,141 |
| Total revenue | 122,638 | 112,376 | - | 235,014 |
| Expenses | | | | |
| Operating expenses | 123,507 | 125,626 | 773 | 249,906 |
| Selling, general and administrative | 2,955 | 3,952 | 8,848 | 15,755 |
| Results from operating activities | (3,824) | (17,202) | (9,621) | (30,647) |
| Finance costs | - | - | 7,862 | 7,862 |
| Foreign exchange (gain) loss | 1,226 | (31) | - | 1,195 |
| (Gain) loss on disposal of property and equipment | (947) | (68) | - | (1,015) |
| Amortization of intangible assets | 20 | 241 | - | 261 |
| Loss on foreign exchange forward contracts | 59,245 | 13,100 | - | 72,345 |
| Income (loss) before income tax | $ (63,368) | $ (30,444)) | $ (18,(17,483<br>)103) | $ (111,29<br>5) |
| | | | | |
| Capital expenditures (1) | $ 5,259 | $ 11,673 | $ - | $ 16,932 |
| Total assets as at June 30, 2020 | $ 254,407 | $ 262,461 | $ 1,389 | $ 518,257 |
| Total liabilities as at June 30, 2020 | $ 28,235 | $ 43,606 | $ 202,597 | $ 274,438 |

(1) *Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets.*

# CORPORATE INFORMATION

## Management

Regan Davis
Chief Executive Officer

Michael Kelly
Executive Vice-President and Chief Financial Officer

Steve Glanville
President and Chief Operating Officer

Rory Thompson
President, Canadian Operations

Brock Duhon
President, U.S. Operations

Lori McLeod-Hill
Vice-President, Finance

Joshua Kane
Vice-President, Legal and General Counsel

## Directors

Douglas Freel (1)

Evelyn Angelle (2)

Regan Davis (3)(4)

Jeremy Gackle (5)

Donna Garbutt (6)(7)

James Harbilas (8)(9)

Jason Skehar (2)(4)(9)

1. *Chair of the Board*
2. *Member of the Audit Committee*
3. *Chief Executive Officer*
4. *Member of the Health, Safety and Environment Committee*
5. *Chair of the Compensation and Corporate Governance Committee*
6. *Lead Director*
7. *Chair of the Health, Safety and Environment Committee*
8. *Chair of the Audit Committee*
9. *Member of the Compensation and Corporate Governance Committee*

## Corporate office

Bow Valley Square II
#1200, 205 – 5 Ave SW
Calgary, Alberta T2P 2V7

## Registered office

4300, 888 – 3rd Street SW
Calgary, Alberta T2P 5C5

## Website

www.stepenergyservices.com

## Trustee and transfer agent

TSX Trust Company
Calgary, Alberta and Toronto, Ontario

## Bank

ATB Corporate Financial Services

## Auditors

KPMG LLP
Chartered Professional Accountants
Calgary, Alberta

## Legal Counsel

Stikeman Elliott LLP

## Stock Symbol

"STEP"
Toronto Stock Exchange